

Service Date: December 30, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Montana Public ) UTILITY DIVISION  
Service Commission's Investigation )  
of Federal Tax Reform Impacts on ) DOCKET NO. 86.11.62(11)  
Public Utility Revenue Requirements.)

IN THE MATTER of the Application of )  
the MOUNTAIN STATES TELEPHONE AND )  
TELEGRAPH COMPANY (MOUNTAIN BELL) )  
for Authority to Establish Rates )  
and for Approval of Generic Cost ) DOCKET NO. 86.11.64  
and Rate Design Methodology in )  
Connection with the Implementation )  
of its Comprehensive Rural Telephone )  
Improvement Program RTIP. )

IN THE MATTER of the Application of )  
MOUNTAIN BELL for Approval of its ) DOCKET NO. 87.1.9  
Telechoice Tariff. )

IN THE MATTER of the Application of ) DOCKET NO. 87.5.27  
MOUNTAIN BELL to Offer Equal Access )  
Restriction Service. ) ORDER NO. 5279a

FINAL ORDER ACCEPTING STIPULATION

BACKGROUND

The Montana Public Service Commission initiated Docket No. 86.11.62(11) with an Order to Show Cause on November 24, 1986.

The Commission directed 14 public utilities, including Mountain Bell, to show why, based on the Tax Reform Act of 1986 (TRA),

utility rates and charges "should not be deemed unreasonable and unjust and that further proceedings be initiated to change them" (Order No. 5236, page 2). Utilities were required to file, by February 1, 1987, information conforming to the Commission's minimum filing requirements.

The filing date for Mountain Bell in Docket No. 86.11.62(11) was extended from February 1, 1987 to May 1, 1987 at Mountain Bell's request. On May 1, 1987, Mountain Bell filed an updated revenue requirement calculation based on a 1986 test year to comply with the Commission's Show Cause Order. On July 15, 1987 Mountain Bell filed rate design information.

On November 25, 1986, Mountain Bell filed its application to establish rates to implement the final, 1986 phase of the Rural Telephone Improvement Program (RTIP). Mountain Bell filed its actual 1986 data for RTIP on February 23, 1987. The Commission assigned Docket No. 86.11.64 to the RTIP application. At the requests of the Montana Consumer Counsel, Docket Nos. 86.11.62(11) and 86.11.64 were consolidated and a hearing was scheduled. A Procedural Order was issued May 5, 1987.

Mountain Bell filed for approval a tariff called Telechoice that was assigned Docket No. 87.1.9. Montana Consumer Counsel requested a hearing on this filing, to be consolidated into the hearing on this docket. Mountain Bell also filed for approval a tariff called Equal Access Restriction Service that was assigned Docket No. 87.5.27. Consumer Counsel and AT&T requested a hearing on this filing, which the Commission consolidated into this docket.

On March 4, 1987, the Commission issued Order No. 5236a, which was a preliminary procedural order in Docket No. 86.11.62

based on the Commission's findings that preliminary comment on generic legal and policy aspects of the TRA would promote a uniform regulatory approach, while avoiding unnecessary duplication of effort. Specifically, the Commission requested comment on several issues raised by the TRA.

On May 27, 1987, the Commission issued Order No. 5236b, which requested the utilities to answer certain questions concerning the effects on operating results of Statement on Financial Accounting Standards 87 issued by the Financial Accounting Standards Board. This request for comments from the utilities in Docket No. 86.11.62 was the result of no respondents addressing this issue in response to Order No. 5236a.

On June 8, 1987, the Commission issued Order No. 5236c. Order No. 5236c, applicable to all utilities in Docket No. 86.11.62, states the general methodology the Commission adopted to reflect the effects of the TRA on utility rates. Various parties filed Motions for Reconsideration of that Order. On July 1, 1987, the Commission issued Order No. 5236d on Reconsideration.

On July 30, 1987, this Commission issued Interim Order No. 5279 in Docket Nos. 86.11.62(11) and 86.11.64, applicable to Mountain Bell. In that order, after analyzing the information presented by Mountain Bell and in accord with its findings in its Order No. 5236c, the Commission required uniform percentage rate decreases to MTS, WATS and 1FB-2 to decrease revenue requirement by \$7,273,000.

The procedural schedule in these dockets has been amended several times. A public hearing on these matters was scheduled for January 12, 1988.

On November 16, 1987, Mountain Bell and Montana Consumer Counsel filed a stipulation regarding revenue requirement issues.

The Commission published a notice that this stipulation was filed and that any interested party had the opportunity to request a hearing on the stipulation's merits. On December 3, 1987, Mountain Bell, Montana Consumer Counsel, AT&T, Montana Telephone Association and MCI filed a stipulation on rate design. This stipulation was also noticed with an opportunity to request a hearing. No hearing was requested.

The stipulation filed November 18, 1987 requires the following:

a. The interim rate reductions will be made permanent. The interim order required rate decreases to reduce annual revenues by \$7.3 million.

b. Mountain Bell will lower rates to further reduce annual revenues in the amount of \$2.5 million.

c. Mountain Bell's request for additional annual revenues of \$555,200 for the PSC funding tax, the low income assistance program, and the monthly bill itemization, will be withdrawn.

d. Mountain Bell will file a new general rate case to address unresolved issues no later than January 15, 1988.

The stipulation filed December 8, 1987 requires the following:

a. The \$2.5 million reduction will be accomplished through the following estimated decreases:

- |                            |            |
|----------------------------|------------|
| 1. Custom calling features | \$ 410,354 |
| 2. Touch-tone on trunks    | \$ 187,720 |
| 3. Hunting Service         | \$ 236,990 |
| 4. Business Basic Exchange | \$ 863,361 |
| 5. 20% Decrease in Service |            |

Connection Charges	<u>\$ 752,375</u>
Total	\$2,450,800

b. The tariff filing for equal access restriction service (Docket No. 87.5.27) will be dismissed.

c. The request for Telechoice (Docket No. 87.1.9) will be dismissed. This proposal will be part of the new filing.

d. Mountain Bell will file rate design as part of the January 15, 1988, general rate case.

#### DISCUSSION

The Commission and its staff have reviewed all the data filed in this case. The Commission approves the stipulations between Mountain Bell, Consumer Counsel and the other parties. The level of revenues after the stipulated decrease will allow Mountain Bell an opportunity to earn a reasonable rate of return. The resulting rates will be deemed adequate to cover the costs of the PSC funding tax, the low income assistance program and the monthly bill itemization.

In accepting these stipulations the Commission reminds the parties that all stipulated rate design issues in this proceeding will be examined in MB's next general rate filing and that

the Commission's acceptance of these stipulations will have no bearing on future proceedings.

#### CONCLUSIONS OF LAW

1. Mountain Bell is a public utility offering regulated telecommunications services in the State of Montana. Section 69-3-101, MCA. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-330, MCA.

3. The stipulations approved in this order are an appropriate means of concluding this matter.

4. The rates and rate structure approved in this order are just and reasonable.

#### ORDER

NOW THEREFORE IT IS ORDERED THAT:

1. The Mountain Bell interim revenue decrease of \$7,273,000, rate design, and all other matters approved in Order No. 5279 are approved as final.

2. The November 18, 1987, stipulation between Mountain Bell and Montana Consumer Counsel regarding revenue requirement is

approved by this Commission. The December 3, 1987, stipulation among Mountain Bell, Montana Consumer Counsel, AT&T Communications, MCI and Montana Telephone Association regarding rate design is approved by this Commission.

3. Mountain Bell will file rate schedules that reflect a \$2,500,000 decrease in annual revenues. The \$2,500,000 decrease will be achieved by decreasing rates for Custom Calling Services, Touch-Tone, Companion Line, and Service and Equipment Charges.

4. The rate decrease approved in this order is effective January 1, 1988.

5. Docket Nos. 87.1.9 and 87.5.27 are dismissed.

DONE AND DATED this 21st day of December, 1987 by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Ann Purcell  
Acting Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.